



## NZX/MEDIA STATEMENT

5 February 2009

### **‘Strong Start by South Port’**

Higher levels of cargo handling and warehousing activity have contributed to a strong first half result by South Port New Zealand Ltd, the operator of the Port of Bluff.

“Given the expectation by economic commentators and our customers that 2009/2010 will be difficult years, South Port is very pleased to report a net profit of \$2.29m, compared with \$0.87m in the first half last year,” said the Chairman, Mr John Harrington.

“The result includes several one-off gains, totalling \$0.58m; however, the underlying trading result is also ahead of the corresponding period, and, importantly, it provides for stability of port services in the face of an impending economic storm.”

“Tempering this result, the trading outlook for the remainder of the 2009 financial year and into 2010 is unclear,” said Mr Harrington. “This is due to the current volatile nature of export markets and the likelihood that harsh economic conditions will send additional ripples through the New Zealand economy.”

The non-recurring after-tax income items were:

- A depreciation recovery of \$193,000 on the sale of a back-up mobile harbour crane.
- A foreign exchange gain of \$95,000 on an uncompleted forward contract.
- An interim winding-up dividend of \$290,000 from Hardwood Forests Ltd following the successful sale of that company’s forestry assets. (A final distribution will be made prior to June 2009, taking the total one-off gain available to South Port, a 10% shareholder in HFL, to approximately \$500,000).

Directors have declared an interim dividend of 4.50 cents per share, a strong improvement on the 2.75 cents per share in the prior corresponding period. It is payable on 6 March 2009. (Last year’s total dividend was 9.50 cents per share).

Cargo volumes in the period of 1,072,000 tonnes represent a 2% increase on tonnage volumes of 1,052,000 tonnes in the corresponding period, which is due to higher levels of export cargoes, and lifts in fertiliser and stock food imports.

The net gain in overall tonnage was a positive outcome considering the reduced volumes across the Tiwai Wharf from New Zealand Aluminium Smelters during the period, said the Chief Executive, Mr Mark O’Connor.

“Over the past 8-9 months, NZAS has had to manage reductions in operating capacity, firstly due to dry winter electricity shortages and more recently as a result of a transformer failure halting a production line. This pot line is capable of generating 28% of the total output at the smelter and is a significant ongoing constraint for NZAS.”

Mr O’Connor said South Port understands that reinstatement of the damaged pot line is still being assessed.

Mr O’Connor noted several operational gains.

- Mediterranean Shipping Company’s (‘MSC’) weekly Capricorn shipping service since May 2008 has gained significant cargo support from regional exporters and importers; the associated packing, storage and container servicing has generated additional activity within the port.
- Open Country Dairy successfully commissioned its Awarua milk powder processing plant in August 2008. “South Port has provided full warehousing functions for Open Country Dairy’s production since their start up and we look forward to a prosperous long term relationship with this customer.”
- Medium term cool and dry warehousing contracts were concluded with Fonterra during the half-year. “MSC’s weekly call greatly assists the potential distribution via Bluff of product from Fonterra’s Edendale plant.” South Port is also working with Fonterra to accommodate the dairy exporter’s short term storage requirements through additional warehousing resources on the port or in close proximity to Bluff. A new 5,900 m<sup>2</sup> dry warehouse located on the Island Harbour will be completed in mid-February and utilised for the storage of manufactured dairy product in the immediate future.
- NZAS has renewed the lease agreement under which South Port provides the Tiwai Wharf and associated infrastructure for a further 35 years. This historic agreement had expired in April 2008 and the renewal is effective from that date. South Port and NZAS continue negotiations on the level of charging for the provision of this infrastructure.

South Port is supportive of new business opportunities for cargo growth in the region.

Mr O’Connor reiterated that Bluff has several advantages it can provide as a base for offshore Southland oil and gas exploration. The ExxonMobil-Todd Energy consortium and OMV Group completed contracted seismic work over the summer of 2007-08, and analysis of the data is expected to be completed by the fourth quarter 2009.

Studies of the commercial viability of Southland’s lignite resources by Solid Energy and L&M Group are progressing.

Two wind farm developments in Eastern Southland, by TrustPower and Wind Prospect, are not expected to commence until 2010 at the earliest.

## OUTLOOK

Commenting on the economic situation, Mr Harrington stated, "A range of sectors are encountering cancelled sales orders and are finding it necessary to investigate new customers and markets.

"Both fertiliser and petroleum import volumes are expected to also come under pressure as the dairy industry payout decreases and the economy continues to contract.

"As a trading nation, it would be naive to think that export and import businesses will not be further negatively impacted by these testing conditions."

He said it was vitally important that NZAS is successful in re-establishing its off-line capacity. "The flow on of a prolonged outage will become evident for both South Port and the Southland region."

"Notwithstanding extensive negative factors, the Company is in a sound position to weather the tougher economic environment."

Mr Harrington said that the volatility of economic conditions hinders earnings guidance. "However, the continued presence of MSC and stronger demand for warehousing services should allow the company to generate a favourable 2009 full year result."

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### **MEDIA/ANALYSTS' NOTE:**

*South Port New Zealand Ltd has 26,234,898 ordinary shares on issue. The current share price of around \$2.10 compares with the share price of \$2.20 as at the balance date of 30 June 2008.*

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### **FOR FURTHER INFORMATION PLEASE CONTACT:**

Mr Mark O'Connor  
Chief Executive  
South Port New Zealand Ltd  
Tel 03 212 8159  
Mobile 0272 560 407

Mr Warren Head  
Managing Director  
Head Consultants Ltd  
Tel 03 365 0344  
Mobile 021 340 650